

Message Text

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43

ACTION ARA-10

INFO OCT-01 ISO-00 AID-31 IGA-02 EB-07 AGR-05 TRSE-00

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 1725

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E.O. 11652: N/A

TAGS: EAGR, EFIN, EAID, BL

SUBJECT: PL-480 TITLE I WHEAT - MILLING IN PERU

REF: (A) 75 STATE 10154; (B) 75 AID TO CIRCULAR A-522

1. AMBASSADOR AND POL/ECOM COUNSELOR HAD LUNCH JULY 22 WITH MINISTER OF FINANCE AND NEW MINISTER OF INDUSTRY AND COMMERCE AND SUBJECT OF \$209,000 CASH PAYMENT FOR PL-480 TITLE I WHEAT DIVERTED TO PERU FOR MILLING IN 1974 CAME UP. WE HAD BRIEFED NEW MIN. IND. & COMM. (GENERAL VILLAPANDO) IN DETAIL ON SUBJECT THE PREVIOUS WEEK. THE MINISTERS INDICATED THAT THEY WOULD LIKE TO SEE THE QUESTION RESOLVED AND THAT GOB WOULD BE WILLING TO MAKE A SUBSTANTIAL CASH PAYMENT. HOWEVER, THEY STRONGLY STATED THE VIEW THAT AN INTEREST CHARGE ON THE PAYMENT WOULD BE UNFAIR, GIVEN THAT THE QUESTION HAD BEEN UNDER DISCUSSION WITHIN THE USG FOR A CONSIDERABLE TPME. THEY CONSIDERED THE INTEREST CHARGE IN EFFECT A PENALTY THAT IS UNWARRANTED SINCE THE VIOLATION WAS AN OVERSIGHT (A SIMILAR DIVERSION WITH PRIOR USG APPROVAL HAD OCCURRED THE PREVIOUS YEAR) AND NOT IN ANY WAY AN INDICATION OF BAD FAITH.

2. IT IS CLEAR FROM OUR DISCUSSION THAT THE GOB WOULD BE WILLING TO SETTLE FOR A CASH PAYMENT OF A SUBSTANTIAL AMOUNT OF THE \$209,000 OR PERHAPS EVEN ALL OF THAT AMOUNT, IF THE INTEREST CHARGE IS DROPPED. THERE ARE, HOWEVER, SEVERAL QUESTIONS ON WHICH CLARIFICATION IS REQUIRED.

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A. IT IS OUR ASSUMPTION, BASED ON THE WORDING CONTAINED IN REF A, THAT THIS IS A CONVERSION TO A CASH PAYMENT AND THAT THE PAYMENT WOULD BE DEDUCTED FROM BOLIVIA'S PL-480 TITLE I DEBT. WE WOULD APPRECIATE VERIFICATION OF THIS.

B. THE MINISTERS ASKED WHETHER THE GOB COULD MAKE PAYMENT IN PESOS, TO BE USED FOR US GOVERNMENT PURPOSES IN BOLIVIA. THIS WOULD GREATLY SIMPLIFY THE REPAYMENT AND PERHAPS ALLOW THE GOB TO MAKE FULL REQUESTED CASH PAYMENT WITHOUT FURTHER NEGOTIATION OR DELAY. SINCE THE PROCEEDS OF THE WHEAT SALES IN BOLIVIA ARE IN PESOS, SUCH A PAYMENT SEEMS SENSIBLE.

3. WE CONSIDER THE GOB OFFER A BREAKTHROUGH, DUE IN NO SMALL PART TO GENERAL VILLAPANDO'S FORTHCOMING ATTITUDE. WE HAVE HAD EXTREMELY GOOD RELATIONS WITH GOB IN RECENT MONTHS; THEY HAVE BEEN HIGHLY COOPERATIVE IN A NUMBER OF INTERNATIONAL ORGANIZATION MATTERS, AND WE THINK THE TIME IS NOW RIPE FOR A RAPID RESOLUTION OF THE MATTER. WE WOULD APPRECIATE WASHINGTON ADVICE ASAP AS TO WHETHER A PESO PAYMENT EQUIVALENT TO THE FULL \$209,000 WITHOUT AN INTEREST PENALTY PAYMENT, IS ACCEPTABLE. UPON WASHINGTON CONFIRMATION OF THIS, WE WILL TAKE APPROPRIATE ACTION WITH GOB.
STEDMAN

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